

Report to Council

Wednesday, 24 April 2024
By the Director of Resources
DECISION REQUIRED
Not Exempt



Appointment of an Independent Member to the Audit Committee

Executive Summary

This report recommends that (i) an Independent Member be appointed to the Audit Committee, and, (ii) the Scheme of Members' Allowances be amended to include an allowance for the Independent Member.

Recommendations

That the Council is recommended:

- i) To approve the appointment of Paul King as Independent Member to the Audit Committee for the 2024/25 and 2025/26 municipal years, and to delegate authority to the Director of Resources in consultation with the Chairman of the Audit Committee and the Cabinet Member for Finance and Resources to be able to extend the term of appointment to the end of the 2027/28 municipal year;
- ii) To agree that the Council's Scheme of Members' Allowances be amended to include an allowance for the co-opted Independent Member of the Audit Committee of £800 per annum, as recommended by the Council's Independent Remuneration Panel;
- iii) To note that the co-opted Independent Member of the Audit Committee is entitled to travelling and subsistence allowances under the Council's Scheme of Members' Allowances, as recommended by the Council's Independent Remuneration Panel; and
- iv) To note that the Monitoring Officer will reflect recommendations i) and ii) in the Council's Constitution (pursuant to her authority to do so, per Article 13, paragraph 13.3 b) of the Constitution) should these be approved.

Reasons for Recommendations

The Council has the power, pursuant to the provisions contained in the Constitution, to i) make appointments to committees and ii) amend the Scheme of Members' Allowances.

Background Papers

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022
Horsham District Council Constitution, February 2024

Wards affected: None

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Background Information

1 Introduction

- 1.1 This report recommends that a co-opted Independent Member be appointed to the Council's Audit Committee. The report also recommends that the Council's Scheme of Members' Allowances be amended to include an allowance for the Independent Member.

2 Relevant Council policy

- 2.1 Council Plan 2023-2027: "Always listening, learning and improving".

3 Details

3.1 Background

- 3.1.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) published a position statement in 2022 on Audit Committees in local authorities and police. The position statement, which is supported by the Department for Levelling Up, Housing and Communities and the Home Office, made the following recommendation:

"Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise."

- 3.1.2 There is no legislative direction for district councils in England to include co-opted Independent Members on their Audit Committees. Therefore, the Council has discretion as to whether to do so.
- 3.1.3 In addition, one of the recommendations arising from the Local Government Association (LGA) Governance Peer Challenge that took place at the Council in 2024 was that the Council should consider the use of independent experts.
- 3.1.4 Whilst the CIPFA position statement recommends the appointment of at least two co-opted Independent Members, officers' view is that one Independent Member should be appointed initially and the position should be kept under review.

3.2 Purpose

- 3.2.1 The purpose of the Independent Member role is to assist the Audit Committee in the exercise of its functions through actively contributing to discussions and providing relevant technical expertise.
- 3.2.2 This is an advisory role and the Independent Member will not have voting rights.

3.3 Recruitment

- 3.3.1 The Council advertised for one Independent Member in March 2024. A copy of the role profile is contained in Appendix A to this report. Two applications were received and one candidate was interviewed.

3.3.2 Following a successful interview, the Vice-Chairman of the Audit Committee, the Cabinet Member for Finance and Resources and the Director of Resources decided to offer the position to Paul King, subject to references and appointment by Full Council. Suitable references have now been received.

3.3.3 Paul King is a qualified Chartered Public Finance Accountant (CPFA). He currently serves as a Non-Executive Director and Chair of the Audit and Risk Management Committee at NHS Sussex Integrated Care Board. He is also an Ombudsman at the Financial Ombudsman Service. His previous roles include District Auditor at the Audit Commission, and Executive/Audit Director and Associate Partner at Ernst & Young LLP. He has lived in the Horsham district for 30 years.

3.4 Remuneration

3.4.1 Whilst the Council's Scheme of Members' Allowances includes a co-optees' allowance, this does not extend to co-opted members of the Audit Committee. The Scheme of Members' Allowances must therefore be amended in order for an allowance to be paid to a co-opted member of the Audit Committee.

3.4.2 The Council is required to have regard to the recommendations of an Independent Remuneration Panel (IRP) before amending its Scheme of Members' Allowances. Accordingly, officers instructed the Council's IRP to undertake an interim review to make a recommendation as to the appropriate rate of allowance. The IRP has recommended that the allowance be set at £800 per annum. A copy of the IRP's report is contained in Appendix B to this report.

4 Next steps

4.1 If the appointment is made, the Independent Member will be provided with induction training with a view to him attending Audit Committee meetings from July 2024.

5 Views of the Policy Development Advisory Group and outcome of consultations

5.1 This report does not relate to policy development and as such the views of Policy Development Advisory Groups have not been sought.

5.2 The Monitoring Officer and the Director of Resources have been consulted on the content of this report.

6 Other courses of action considered but rejected

6.1 The alternative courses of action considered but rejected are:

- (i) Not to appoint an Independent Member to the Audit Committee. This has been rejected in view of the recommendations of CIPFA and the LGA Governance Peer Challenge team.
- (ii) To appoint two Independent Members to the Audit Committee. This has been rejected at this juncture. Consideration will be given to appointing a second Independent Member should any significant gaps in the collective expertise of the Audit Committee become apparent.

7 Resource consequences

- 7.1 Subject to Full Council approval, there will be an allowance payable to the Independent Member of £800 per annum. The Independent Member will also be entitled to travelling and subsistence allowances under the Council's Scheme of Members' Allowances. The Independent Member will also be provided with appropriate IT equipment for the duration of their role.
- 7.2 There is a one-off cost of publishing public notices in relation to changes to the Members' Allowances Scheme. This is expected to be in the region of £450 including VAT.

8 Legal considerations and implications

8.1 Appointment

- 8.1.1 The Council has the power to appoint persons who are not members of the Council to a committee under section 102(3) of the Local Government Act 1972, other than a committee for regulating and controlling the Council's finances or the finances of the Council's area.

8.2 Eligibility

- 8.2.1 In accordance with section 104(1) of the Local Government Act 1972, the Independent Member must not be disqualified from being elected to, or being a member of, the Council under Part V of the Local Government Act 1972.

8.3 Voting rights

- 8.3.1 In accordance with section 13(1)(a) of the Local Government and Housing Act 1989, the Independent Member shall not have voting rights.

8.4 Remuneration

- 8.4.1 The Council has the power to include a co-optees' allowance in its Scheme of Members Allowances under Regulation 9 of the Local Authorities (Members' Allowances) (England) Regulations 2003.
- 8.4.2 Under Regulation 19 of the Local Authorities (Members' Allowances) (England) Regulations 2003, the Council is required to have regard to the recommendations of an Independent Remuneration Panel before amending its Scheme of Members' Allowances.

9 Risk assessment

- 9.1 The appointment of an Independent Member with relevant technical expertise who is able to make positive contributions to the Audit Committee should improve the Council's governance and lessen the Council's exposure to risk.

10 Procurement implications

- 10.1 There are no procurement implications.

11 Equalities and Human Rights implications / Public Sector Equality Duty

11.1 There are no equalities or human rights implications.

12 Environmental implications

12.1 There are no environmental implications.

13 Other considerations

13.1 There are no apparent GDPR, data protection or crime and disorder consequences.